# Ten tax takeaways from Canada's spring economic update 2026

**April 29, 2026**

On April 28, 2026, The Honourable François-Philippe Champagne, minister of Finance and National Revenue, presented Canada's spring economic update 2026 (Economic Update). BLG is pleased to highlight its key income tax proposals.

## Business tax measures

### 1. Employee ownership trust capital gains exemption: Made permanent

Employee ownership trusts (EOTs) provide a business succession alternative for many private company owners approaching retirement. Although introduced in 2023, the legislation permitting EOTs was not passed into law until June 2024.

Individuals (other than trusts) are provided with an exemption from taxation on up to $10 million in capital gains realized on the sale of a business to an EOT or worker cooperative corporation, subject to certain conditions. This exemption was to expire at the end of 2026. The Economic Update will make this $10 million exemption permanent. Given that it can take many months or years for business owners to plan for a sale to an EOT, this announcement is welcome news. For more information on EOTs, see Employee ownership trusts: Business succession alternative for private businesses in Canada.

### 2. Carbon capture, utilization and storage tax credits: Extended to enhanced oil recovery (EOR)

Over the past few years, Canada has enacted a number of "clean economy" investment tax credits (ITCs) to support Canada's transition to a net-zero economy (see Canada's clean economy ITCs) for a detailed overview of these tax credits).

The carbon capture, utilization & storage (CCUS) investment tax credit allows taxpayers who undertake a qualified CCUS project to claim investment tax credits of up to 60 per cent on qualifying expenditures relating to the capture, transportation, use or storage of $CO_2$ that is the subject of an "eligible use." Currently, the only "eligible uses"

of captured $CO_2$ are storage in a dedicated geological formation or use in concrete production.

The Economic Update designates enhanced oil recovery (EOR) as a new "eligible use" of captured $CO_2$ so long as the invested $CO_2$ remains permanently stored, effective April 28, 2026. Capture and transportation equipment of a qualified CCUS project that stores $CO_2$ through EOR will be eligible, as will equipment that injects and stores $CO_2$ through EOR (unless all or substantially all of the use of the equipment is to produce oil).

While the effective ITC rates associated with the storage of $CO_2$ through EOR will be only half that of the ITC rates applicable to other eligible uses of $CO_2$ (that is, 30 per cent maximum rather than 60 per cent maximum), this still constitutes significant tax support for a major segment of the Canadian economy and helps put the Canadian industry in a better competitive position with its U.S. counterpart. The additional details on equipment eligibility stated to be pending from Natural Resources Canada will be very important in determining the exact parameters of this initiative.

## 3. Accelerated CCA for low-carbon LNG facilities

Last fall, Budget 2025 proposed to reinstate accelerated capital cost allowances (CCAs) for eligible liquefied natural gas (LNG) equipment and related buildings for low-carbon LNG facilities. The Economic Update proposes how this measure will be implemented.

The accelerated CCA rate would be 50 per cent for Class 47 liquefaction equipment, and 10 per cent for Class 1 non-residential buildings used in LNG facilities. In addition, LNG facilities would be able to take advantage of the enhanced first-year accelerated investment incentive deduction for certain capital property.

To claim accelerated CCA rates for eligible assets for a particular LNG facility, that facility would first need to be certified by the minister of Energy and Natural Resources, which would entail submitting a one-time report to the minister of Energy and Natural Resources. Based on the expected emissions intensity of an LNG facility, as determined from the report, the minister of Energy and Natural Resources would certify whether the LNG facility qualifies for the measure.

For certified LNG facilities, the accelerated CCA rates would be available for eligible assets acquired on or after Nov. 4, 2025, and up to the end of 2034.

## 4. Base CPP contribution rate reduction

To provide relief for employees and employers, the rate of the base contribution to the Canada Pension Plan (CPP) is currently 9.9 per cent (4.95 per cent by each of employer and employee). The rate will be reduced by 0.4 per cent to 9.5 per cent starting from Jan. 1, 2027.

## 5. Prioritized advance income tax rulings

Taxpayers often request binding advance income tax rulings from the Canada Revenue Agency (CRA) before implementing major transactions to confirm the anticipated tax

treatment of a proposed transaction. The CRA will give priority to advance income tax ruling requests relating to:

1. large-scale nation-building projects;
2. projects of national importance; and
3. investments that enhance productivity and strengthen critical sectors of Canada's economy.

# Personal tax measures

## 6. Easier access to the disability tax credit (DTC)

The DTC is an important tax benefit for individuals suffering from disabilities, and DTC eligibility is a requirement for other programs (such as the Canada Disability Benefit). Currently, a qualified medical practitioner must not only certify that an individual suffers from a disability, but also provide details confirming that the impairment is severe and prolonged, significantly impacting the individual's activities of daily living. Completing the required forms can be a time-consuming and onerous process for the medical practitioner.

To alleviate the burden on qualified medical practitioners, a streamlined DTC application process will be available for individuals commencing in 2026 with certain listed medical conditions. For individuals suffering from other (non-listed) conditions, a medical practitioner would continue to be able to certify DTC eligibility as before.

The list of medical professionals who may certify eligibility has also been expanded to include podiatrists. For an adult under their care for property matters, provincial or territorial public guardians, trustees, and curators will be able to certify, on the DTC application form, that the individual has a valid certificate of incapacity (or equivalent document) issued by a healthcare professional in accordance with applicable provincial or territorial laws for determining decision-making capacity; for matters under the *Indian Act*, Indigenous Services Canada, as well as Crown-Indigenous Relations and Northern Affairs Canada, will also have that possibility.

Where such a certification is provided, a qualified medical practitioner would no longer be required to certify the individual's impairment for their DTC application. The CRA will continue to have the authority to request additional information to confirm eligibility in all cases.

## 7. Expanded labour mobility deduction for tradespeople

Currently, an eligible construction worker can deduct up to $4,000 per year in relocating expenses (travels, meals and lodging). One condition required to qualify for such a deduction is that the worker must relocate, for a limited period, to a temporary lodging place that is at least 150 kilometres closer to a temporary worksite than their ordinary residence.

The Economic Update will increase the annual deduction limit to $10,000 per year (with annual indexation thereafter), and the temporary lodging place will only need to be at

least 120 kilometres closer to a temporary worksite than their ordinary residence. This measure will apply to 2026 and subsequent taxation years.

### 8. Extension of time to repay under Home Buyers Plan

Withdrawals from a registered retirement savings plan (RRSP) are generally taxable. A notable exception for this is for withdrawals of up to $60,000 from a RRSP under the Home Buyers' Plan (HBP) for the purpose of buying a home. Under the HBP, withdrawals must be repaid over a period not exceeding 15 years, starting the second year following the year the first withdrawal was made.

Budget 2024 temporarily increased the grace period under the HBP during which homeowners are not required to start repaying their withdrawals, from two to five years for participants making a first withdrawal between Jan. 1, 2022, and Dec. 31, 2025. To address continued affordability concerns, the Economic Update proposes to extend that five-year grace period for participants making a first withdrawal up to the end of 2028.

## Other announcements

### 9. Consultation in the charitable sector

The Economic Update recognizes that both the charitable sector and non-governmental organizations are an important driver for the Canadian economy, create well-paying jobs, and supplement the social safety net.

With advances in technology and digitization, the Economic Update announces that the government will seek to modernize the regulatory framework for charities in 2026-27. The government will first initiate a consultation from key stakeholders and relevant agencies in the charitable sector to gather feedback and align with best practices adopted by other G7 countries.

### 10. Confirmed intention to proceed with previously announced measures

The government confirmed its intention to proceed with a large number of previously announced tax measures. A full list can be found on the government of Canada's website.

## BLG can help

If you have any questions on the impact of the proposed changes in the spring economic update 2026, please reach out to BLG's Tax Group or any of the key contacts below.

By

Pamela L. Cross, Steve Suarez, Joelle Kabouchi, Tony Zhang, Yifei Yang, Jingcai Ying

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## BLG Offices


**Calgary**

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

**Ottawa**

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

**Vancouver**

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

**Montréal**

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

**Toronto**

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749



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